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## Guatemala

### Trade Policy Monitoring

### Annual Report

### 2008

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**Report Highlights:**

Guatemala is an open market for U.S. agricultural products. During the 1990's, Guatemala made major strides in opening its borders to imports by greatly reducing duties. Guatemala fully complies with its WTO tariff bindings, applying 0-15% duties as of 2001. CAFTA took effect for Guatemala on July 1, 2006. Guatemala has complied with all its CAFTA commitments involving agriculture. Guatemala granted the U.S. equivalence on its meat inspection system, and on July 28, 2006 opened the market for all U.S. beef products regardless of the age of the animal, including bone-in beef products and live animals. Guatemala has maintained an open market for U.S. poultry.

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## Executive Summary

Guatemala is very open to U.S. agricultural products. Its duties are low and technical barriers to trade are relatively few. In addition, the Government of Guatemala (GOG) is very willing to work with the USG to address trade issues.

During the 1990's, Guatemala made major strides to open its borders to imports by greatly reducing duties. Guatemala was scheduled to finish the liberalization of its duties by 2004, according to its WTO commitments. However, it completed the process in 1999 ahead of schedule. All agricultural products have applied duties of 0, 5, 10, or 15 percent as of 2001, including products with tariff rate quotas (TRQs).

The United States is Guatemala's main trading partner, both for total trade and trade in agricultural products. The U.S. exported a record \$693.4 million in agricultural, fish and forestry products to Guatemala in CY 2007. Bulk products represent the largest export category with a 46% share (record \$ 320.1 million) of the total U.S. agricultural exports to Guatemala, followed by intermediate agricultural products with a 30% share (record \$ 204.6 million) and consumer-oriented products with a 23% share (\$ 160.3 million). Overall, U.S. agricultural product exports to Guatemala increased 25% in 2007.

## Trade Barrier Catalog

There are a few sanitary and technical barriers that affect some shipments.

### Trade Barriers Table

Product	Trade Barriers	Description of Problem	Estimated Value of Trade Affected	Status	FAS Contact
Fresh Produce	Free-Sale Certificate Requirement	Not readily available for non processed food and feed products	\$ 14,101.50 (5%)	In-place	Karla Tay
Intermediate Agricultural	Free-Sale Certificate Requirement	Not readily available for non processed food and feed products	\$ 6,995.90 (5%)	In-place	Karla Tay
Processed Food Products	Free-Sale Certificate Requirement from Origin	Not readily available from origin	\$ 6,000.00	In-place	Karla Tay
	Microbiological Certificate Requirement for Fisheries Products	Laboratory analysis of Codex Alimentarius parameters	\$ 6,275.00	Standardized under Customs Union	
Agricultural Products from Florida and California	Phytosanitary (pest concern)	Pink Hibiscus Mealy bug disease free status	\$ 3.0 million (estimate from other countries imports of fruits and vegetables hosts)	Shipment disease-free status vs. area disease free status before 2007	Karla Tay
Flour, salt and sugar	Fortification requirement (food consumption)	Mineral and vitamin fortification	\$ 2.5 million (imports from other countries)	Law requirement	Karla Tay

## Background

Guatemala requires a Certificate of Free Sale for all food products, including raw materials of animal or vegetable origin. This certificate is not readily available in the U.S. for non-processed products and has become an inconvenience for many exporters, which have to scramble to find an agency that will issue it. The U.S. generally issues the Free-Sales Certificate only for processed foods for human consumption, but the GOG requires it even on animal feed ingredients and agrochemicals. The Certificate of Free Sales for Processed Products is also a barrier considering that it must come from origin (country that produces

the, or manufactures it). A Certificate of Free Sales must be issued in original for each product. Food Control from Ministry of Health is allowing for legalized copies for those products which are supplied in the same shipment by the same supplier. An original must accompany, plus legalized copies (previously in the U.S. or in Guatemala) to file with each registration.

Fortification – Guatemala requires that three products be fortified before they are approved for retail sale. Imported flour must be fortified with riboflavin, folic acid, niacin, iron and thiamine. Imported salt must be fortified with iodine, and imported sugar with vitamin A. The GOG applies these same fortification requirements to domestic product.

Samples - Guatemalan law prohibits the importation of samples over a certain weight, unless they are specifically sent for the purpose of registering the products. At the same time, the law specifies that all processed food products must be registered before they enter the country. This limits the opportunity for possible buyers to sample new products and test their market potential, as well as restricting the presence of U.S. samples in Guatemalan trade shows. The cost of registering a new product is about \$200 per product and takes 72 hours for low-risk products and one month for high-risk products (animal products). The law does allow small samples from 2 kilos to 25 kilos.

### **Agreement Compliance**

Overall, the GOG is complying with its WTO notifications obligations and has been very open in working out SPS requirements with the U.S. The Ministry of Agriculture, Livestock and Food Security (MAGA) has worked with APHIS to conclude agreements on science-based attestations on phytosanitary certificates. Guatemala's representatives to the Central American Customs Union negotiations on harmonizing the region's technical standards constantly seek U.S. support so that the standards will reflect U.S. norms and not be based solely on Codex Alimentarius.

Guatemala is seeking U.S. support for achieving equivalence acceptance and is upgrading laboratory infrastructure to meet U.S. food safety parameters. Guatemala has been participating in international regulatory bodies, including Codex and WTO, and is also counting on U.S. support to implement various international agreements, including that of the Union for Protection of New Varieties of Plants (UPOV).

### **Market Access**

#### **Tariffs**

Guatemala fully complies with its WTO tariff bindings. Tariffs of 0, 5, 10, and 15% are applied to food and agricultural products. Tariffs and TRQs for 2008 were officially published in Diario de Centro America on December 14, 2007.

Guatemala is in full compliance with its commitments to food and agricultural products under the US – Central America- Dominican Republic Free Trade Agreement (CAFTA-DR). Most fruits, nuts, processed foods, vegetables and feeds have been granted immediate duty-free access. The majority of other agricultural products will have their duties eliminated in 5 or 10 years.

Even though CAFTA-DR allows Guatemala to set the out of quota tariff for chicken leg quarters at 164.4 percent, which Honduras, El Salvador and Nicaragua did, the GOG retained the previous 15 percent tariff since its implementation.

### Tariff-rate Quotas (TRQs)

CAFTA-DR set TRQs on 12 products and product categories. The Ministry of Economy implemented a well functioning system for distributing quota and reporting on quota allocation. The International Commerce Administrative Directorate (DACE) of the Ministry of Economy has a website (<http://www.mineco.gob.gt/mineco/cafta/cafta.htm>) with updated information on quota allocation procedures, advisory committee meetings, and quota utilization status by commodity.

However, Guatemala's late CAFTA implementation (6 months into the calendar year) created problems for quota utilization in 2006. No commodity quota was fully used, but for a variety of reasons. Despite these stumbles, Guatemala increased the use of its quotas in CY 2007.

The following table presents information on quota assignment and use by commodity. "TRQ" is the CAFTA quota for the entire year of 2007. "Assigned" is the amount of quota certificates assigned to successful applicants. "Used" is the amount of product actually imported under TRQ. "Percent" is "Used" as a percent of "TRQ". All volumes are in metric tons:

GUATEMALA 2007 TRQ USE					
Commodity	TRQ	Assigned	Used	Percent	Non-used
	(MT)	(MT)	(MT)	%	(MT)
Rough Rice	57,200	56,570.41	52,801.94	92.3	4,398.06
White Rice	11,000	8,527.56	6,127.37	55.7	4,872.63
Beef	1,120	32.60	24.55	2.2	1,095.45
Pork	4,345	4,435.88	3,176.26	73.1	1,168.74
Chicken Leg Quarters	21,810	16,326.00	17,000	81%	3,810
Ice Cream	168	24.79	20.07	11.9	147.93
Milk	420	356.12	212.67	50.6	207.33
Yellow Corn	550,000	544,439.26	486,201.80	88.4	63,798.2
White Corn	20,800	20,640.00	21,594.54	100.0	-
Butter	105	89.18	0.00	0.0	105.00
Other Dairy Products	191	0.00	0.00	0.0	191.00
Cheese	473	479.70	210.16	44.4	262.84

TRQ use for yellow corn was 88.4 percent, but 20% use above the level in 2006. In general, imports of yellow corn drop 9% from 2006 to 2007 due to increase of international prices.

The process for allocating certificates for the chicken leg quarter quota was handled again by The Central America Poultry Export Quota (CA-PEQ); the entire process went smoothly, in a timely manner.

Quota fill for red meats was very low, just as in 2006, mainly because there was an over supply of local meat for 2007. Only one historical importer requested quota for beef. (Note: The beef quota excludes high quality cuts.) Pork imports under the TRQ doubled in 2007 as historical importers managed their requirements in a timely manner, and new importers requested a TRQ.

The Milk TRQ in 2007 was three times as much as that in 2006. Failure to fill the dairy product quotas is mainly due to the non-competitive prices of U.S. products compared to regional prices. Small Guatemalan dairy importers have tried without success to find price competitive product in the U.S.

A problem across the board continues to be the number of importers failing to request a Certificate of Free Sales and Origin from their U.S. suppliers. The Guatemalan - American Chamber of Commerce and local Customs SAT authorities are training importers on this.

## SPS and TBT Commitments

With regards to SPS obligations, Guatemala has been cooperative in meeting U.S. requirements. Guatemala granted the U.S. equivalence on its meat inspection system, and on July 28, 2006 opened the market for all U.S. beef products regardless of the age of the animal, including bone-in beef products and live animals (excluding, of course, specified risk materials). Guatemala accepts the USDA-FSIS export certificate as the sole valid document for microbiological, free sale and sanitary certificates.

Phytosanitary restrictions have been partially eliminated. Horticultural imports from Florida and California are still restricted due to the presence of the Pink Hibiscus Mealy bug, but great advances have been done modifying the GOG's requirement that states or growing areas be pest-free to the requirement that shipments be pest-free for various agricultural commodities.

SPS issues at port have been affecting importers and food aid recipients, as the Regional Office for Animal and Plant Health Service (OIRSA) has demonstrated technical challenges incorrectly verifying pests at port. Therefore, they follow a general fumigation protocol without a science-based risk assessment, especially with regards to grains. This situation has created problems for importers.